

Experts see better climate for mergers, acquisitions

BY JAMES DORNBROOK | STAFF WRITER

Predicting the Kansas City mergers-and-acquisitions market is a bit like making a weather forecast, and right now activity is brewing on the horizon.

Investment bankers and business brokers in the area are seeing a lot more activity. Inquiries started rolling in last year like a front, which is creating a sprinkling of offers. Those offers are expected to start turning into deals that will rain down sometime in the second half of 2011, extending through 2012.

Factors driving the timing include credit easing a bit, the economy improving, prices for businesses rising and the Bush tax cut extension.

“There is a lot more actual progress in terms of people putting deals together,” said Mike Saxton, CEO of Overland Park-based Business Transition Specialists. “In the past month, we’ve probably written offers for about 10 deals. So there is some real maturity there of people going from just inquiring to actually making an offer and

moving toward closing. There is a lot more moving through the funnel, closer toward the end.”

Buyers are motivated by the opportunity to acquire companies at a decent price, with some upside probably remaining as the economy continues to improve.

“You’ve got private equity and strategic buyers that still have a ton of cash



Tim Skarda

they want to put to work at higher returns, and they’re hungry for deals,” said Tim Skarda, president of Overland Park-based Allied Business Group.

“They are starting to think the banks will be a bit easier to work with, and they can leverage a bit more than they could a year or two prior, so that helps their returns.”

On the sell side, a lot of people were thinking about retiring but put it off. They stuck it out with their

companies, and now they’ve not only survived but are showing good numbers again. So their business valuations are rising.

Also, the Bush tax cut extension offered a reprieve on a capital gains increase until 2013, creating enough time for business owners to find just the right partner to get a deal done.

Pat Trysla, managing partner at Kansas City-based Frontier Investment Banking Corp., said the market is filling with not only baby boomers looking to retire but also younger owners looking to diversify by selling a piece of their business.

“I think there are some underlying drivers, fundamental changes occurring in the M&A market, that seem to say it will be strong into the future, maybe even for a decade,” Trysla said.

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